

Attachment D

Economic Analysis

Economic Impact for Chapter 313 Project

Applicant	Sherbino II Wind Farm LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation - Wind
School District	Buena Vista ISD
2008-09 Enrollment in School District	124
County	Pecos
Total Investment in District	\$215,000,000
Qualified Investment	\$215,000,000
Limitation Amount	\$10,000,000
Number of total jobs committed to by applicant	4*
Number of qualifying jobs committed to by applicant	4
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$841
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$841
Minimum Annual Wage committed to by applicant for qualified jobs	\$43,724
Investment per Qualifying Job	\$53,750,000
Estimated 15 year M&O levy without any limit or credit:	\$24,334,762
Estimated gross 15 year M&O tax benefit	\$16,251,350
Estimated 15 year M&O tax benefit (after deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses):	\$15,708,977
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$2,132,000
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$8,625,785
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	64.6%
Percentage of tax benefit due to the limitation	86.9%
Percentage of tax benefit due to the credit.	13.1%
* Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1).	

This presents the Comptroller's economic impact evaluation of the Sherbino II Wind Farm (the project) applying to Buena Vista Independent School District (the district), as required by Tax Code, 313.026. This evaluation is based on information provided by the applicant and examines the following criteria:

- (1) the recommendations of the comptroller;
- (2) the name of the school district;
- (3) the name of the applicant;
- (4) the general nature of the applicant's investment;
- (5) the relationship between the applicant's industry and the types of qualifying jobs to be created by the applicant to the long-term economic growth plans of this state as described in the strategic plan for economic development submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Government Code, as that section existed before February 1, 1999;
- (6) the relative level of the applicant's investment per qualifying job to be created by the applicant;
- (7) the number of qualifying jobs to be created by the applicant;
- (8) the wages, salaries, and benefits to be offered by the applicant to qualifying job holders;
- (9) the ability of the applicant to locate or relocate in another state or another region of this state;
- (10) the impact the project will have on this state and individual local units of government, including:
 - (A) tax and other revenue gains, direct or indirect, that would be realized during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller; and
 - (B) economic effects of the project, including the impact on jobs and income, during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller;
- (11) the economic condition of the region of the state at the time the person's application is being considered;
- (12) the number of new facilities built or expanded in the region during the two years preceding the date of the application that were eligible to apply for a limitation on appraised value under this subchapter;
- (13) the effect of the applicant's proposal, if approved, on the number or size of the school district's instructional facilities, as defined by Section 46.001, Education Code;
- (14) the projected market value of the qualified property of the applicant as determined by the comptroller;
- (15) the proposed limitation on appraised value for the qualified property of the applicant;
- (16) the projected dollar amount of the taxes that would be imposed on the qualified property, for each year of the agreement, if the property does not receive a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment and projected tax rates clearly stated;
- (17) the projected dollar amount of the taxes that would be imposed on the qualified property, for each tax year of the agreement, if the property receives a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment clearly stated;
- (18) the projected effect on the Foundation School Program of payments to the district for each year of the agreement;
- (19) the projected future tax credits if the applicant also applies for school tax credits under Section 313.103; and
- (20) the total amount of taxes projected to be lost or gained by the district over the life of the agreement computed by subtracting the projected taxes stated in Subdivision (17) from the projected taxes stated in Subdivision (16).

Wages, salaries and benefits [313.026(6-8)]

After construction, the project will create four new jobs when fully operational. All four jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Permian Basin Regional Planning Commission Region, where Pecos County is located was \$39,757 in 2009. The annual average manufacturing wage for 2009 for Pecos County is \$22,126. That same year, the county annual average wage for all industries was \$40,183. In addition to a salary of \$43,724, each qualifying position will receive benefits such as medical, dental, vision, life, and short & long term disability insurance, a 401(k) with 100% match up to 6%, and a retirement fund based on age and years of service. The project's total investment is \$215 million, resulting in a relative level of investment per qualifying job of \$53.7 million.

Ability of applicant to locate to another state and [313.026(9)]

According to Sherbino II Wind Farm's application, "Wind farms are currently being developed, built, and installed in numerous other states, including but not limited to Colorado, Kansas, New Mexico, California, and Minnesota. Within Texas, at least 20 other counties currently have wind farms proposed, under construction, or are currently operating with potential new sites that are growing yearly. The Company could invest its resources in any of these locations."

Number of new facilities in region [313.026(12)]

During the past two years, no projects in the Permian Basin Regional Planning Commission Region have applied for value limitation agreements under Tax Code, Chapter 313.

Relationship of applicant's industry and jobs and Texas's economic growth plans [313.026(5)]

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the Sherbino II Wind Farm project requires appear to be in line with the focus and themes of the plan. Texas identified energy as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the energy industry.

Economic Impact [313.026(10)(A), (10)(B), (11), (13-20)]

Table 1 depicts Sherbino II Wind Farm's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 15 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

Table 1: Estimated Statewide Economic Impact of Investment and Employment in Sherbino II Wind Farm

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2011	129	188	317	\$6,674,896	\$14,325,104	\$21,000,000
2012	4	16	20	\$174,896	\$2,825,104	\$3,000,000
2013	4	17	21	\$174,896	\$2,825,104	\$3,000,000
2014	4	10	14	\$174,896	\$1,825,104	\$2,000,000
2015	4	8	12	\$174,896	\$1,825,104	\$2,000,000
2016	4	6	10	\$174,896	\$1,825,104	\$2,000,000
2017	4	2	6	\$174,896	\$1,825,104	\$2,000,000
2018	4	6	10	\$174,896	\$1,825,104	\$2,000,000
2019	4	7	11	\$174,896	\$1,825,104	\$2,000,000
2020	4	7	11	\$174,896	\$1,825,104	\$2,000,000
2021	4	8	12	\$174,896	\$1,825,104	\$2,000,000
2022	4	5	9	\$174,896	\$1,825,104	\$2,000,000
2023	4	5	9	\$174,896	\$1,825,104	\$2,000,000
2024	4	1	5	\$174,896	\$1,825,104	\$2,000,000
2025	4	7	11	\$174,896	\$1,825,104	\$2,000,000

Source: CPA, REMI, Sherbino II Wind Farm LLC

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2009. Buena Vista ISD's ad valorem tax base in 2009 was \$0.24 billion. The statewide average wealth per WADA was estimated at \$352,755 for fiscal 2009-2010. During that same year, Buena Vista ISD's estimated wealth per WADA was \$875,198. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Pecos County, and Pecos Middle Ground Water District, with all property tax incentives sought being granted using estimated market value from Sherbino II Wind Farm's application. Sherbino II Wind Farm has applied for both a value limitation under Chapter 313, Tax Code and tax abatement with the county. Table 3 illustrates the estimated tax impact of the Sherbino II Wind Farm project on the region if all taxes are assessed.

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Buena Vista ISD I&S Levy	Buena Vista ISD M&O Levy	Buena Vista ISD M&O and I&S Tax Levies (Before Credit Credited)	Buena Vista ISD M&O and I&S Tax Levies (After Credit Credited)	Pecos County	Pecos Middle Ground Water District	Estimated Total Property Taxes
				0.0000	1.0400			0.6200	0.0085	
2010	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0
2011	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0
2012	\$215,000,000	\$215,000,000		\$0	\$2,236,000	\$2,236,000	\$2,236,000	\$0	\$18,275	\$2,254,275
2013	\$206,400,000	\$10,000,000		\$0	\$104,000	\$104,000	\$104,000	\$0	\$17,544	\$121,544
2014	\$198,144,000	\$10,000,000		\$0	\$104,000	\$104,000	\$12,371	\$0	\$16,842	\$29,213
2015	\$190,218,240	\$10,000,000		\$0	\$104,000	\$104,000	\$13,956	\$0	\$16,169	\$30,125
2016	\$182,609,510	\$10,000,000		\$0	\$104,000	\$104,000	\$15,478	\$0	\$15,522	\$31,000
2017	\$175,305,130	\$10,000,000		\$0	\$104,000	\$104,000	\$16,939	\$0	\$14,901	\$31,840
2018	\$168,292,925	\$10,000,000		\$0	\$104,000	\$104,000	\$18,341	\$0	\$14,305	\$32,646
2019	\$161,561,208	\$10,000,000		\$0	\$104,000	\$104,000	\$19,688	\$0	\$13,733	\$33,420
2020	\$155,098,759	\$10,000,000		\$0	\$104,000	\$104,000	\$20,980	\$0	\$13,183	\$34,164
2021	\$148,894,809	\$148,894,809		\$0	\$1,548,506	\$1,548,506	\$26,752	\$923,148	\$12,656	\$962,556
2022	\$142,939,017	\$142,939,017		\$0	\$1,486,566	\$1,486,566	\$1,486,566	\$886,222	\$12,150	\$2,384,937
2023	\$137,221,456	\$137,221,456		\$0	\$1,427,103	\$1,427,103	\$1,427,103	\$850,773	\$11,664	\$2,289,540
2024	\$131,732,598	\$131,732,598		\$0	\$1,370,019	\$1,370,019	\$1,370,019	\$816,742	\$11,197	\$2,197,958
2025	\$126,463,294	\$126,463,294		\$0	\$1,315,218	\$1,315,218	\$1,315,218	\$784,072	\$10,749	\$2,110,040
						Total	\$8,083,412	\$4,260,957	\$198,890	\$12,543,259

Assumes School Value Limitation and Pecos County Tax Abatement

Source: CPA, Sherbino II Wind Farm LLC

¹Tax Rate per \$100 Valuation

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O		Buena Vista ISD I&S Levy	Buena Vista ISD M&O Levy		Buena Vista ISD M&O and I&S Tax Levies	Pecos County	Pecos Middle Ground Water District	Estimated Total Property Taxes
			Tax Rate ¹	0.0000	1.0400	X		0.6200	0.0085	
2010	\$0	\$0		\$0	\$0		\$0	\$0	\$0	\$0
2011	\$0	\$0		\$0	\$0		\$0	\$0	\$0	\$0
2012	\$215,000,000	\$215,000,000		\$0	\$2,236,000		\$2,236,000	\$1,333,000	\$18,275	\$3,587,275
2013	\$206,400,000	\$206,400,000		\$0	\$2,146,560		\$2,146,560	\$1,279,680	\$17,544	\$3,443,784
2014	\$198,144,000	\$198,144,000		\$0	\$2,060,698		\$2,060,698	\$1,228,493	\$16,842	\$3,306,033
2015	\$190,218,240	\$190,218,240		\$0	\$1,978,270		\$1,978,270	\$1,179,353	\$16,169	\$3,173,791
2016	\$182,609,510	\$182,609,510		\$0	\$1,899,139		\$1,899,139	\$1,132,179	\$15,522	\$3,046,840
2017	\$175,305,130	\$175,305,130		\$0	\$1,823,173		\$1,823,173	\$1,086,892	\$14,901	\$2,924,966
2018	\$168,292,925	\$168,292,925		\$0	\$1,750,246		\$1,750,246	\$1,043,416	\$14,305	\$2,807,967
2019	\$161,561,208	\$161,561,208		\$0	\$1,680,237		\$1,680,237	\$1,001,679	\$13,733	\$2,695,649
2020	\$155,098,759	\$155,098,759		\$0	\$1,613,027		\$1,613,027	\$961,612	\$13,183	\$2,587,823
2021	\$148,894,809	\$148,894,809		\$0	\$1,548,506		\$1,548,506	\$923,148	\$12,656	\$2,484,310
2022	\$142,939,017	\$142,939,017		\$0	\$1,486,566		\$1,486,566	\$886,222	\$12,150	\$2,384,937
2023	\$137,221,456	\$137,221,456		\$0	\$1,427,103		\$1,427,103	\$850,773	\$11,664	\$2,289,540
2024	\$131,732,598	\$131,732,598		\$0	\$1,370,019	\$1,370,019	\$816,742	\$11,197	\$2,197,958	
2025	\$126,463,294	\$126,463,294		\$0	\$1,315,218	\$1,315,218	\$784,072	\$10,749	\$2,110,040	
						Total	\$24,334,762	\$14,507,262	\$198,890	\$39,040,914

Source: CPA, Sherbino II Wind Farm LLC

¹Tax Rate per \$100 Valuation

Attachment 1 includes schedules A, B, C, and D provided by the applicant in the application. Schedule A shows proposed investment. Schedule B is the projected market value of the qualified property. Schedule C contains employment information, and Schedule D contains tax expenditures and other tax abatement information.

Attachment 2, provided by the district and reviewed by the Texas Education Agency, contains information relating to the financial impact of the proposed project on the finances of the district as well as the tax benefit of the value limitation. "Table 5" in this attachment shows the estimated 15 year M&O tax levy without the value limitation agreement would be \$24,334,762. The estimated gross 15 year M&O tax benefit, or levy loss, is \$16,251,350.

Attachment 3 is an economic overview of Pecos County.

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.



TEXAS EDUCATION AGENCY

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Robert Scott
Commissioner

November 15, 2010

Mr. Robert Wood
Director, Local Government Assistance and Economic Development
Texas Comptroller of Public Accounts
Lyndon B. Johnson State Office Building
111 East 17th Street
Austin, Texas 78774

Dear Mr. Wood:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the proposed Sherbino II Wind Farm LLC project on the number and size of school facilities in Buena Vista Independent School District (BVISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and conversations with the BVISD superintendent, Mr. Guy Birdwell, the TEA has found that the Sherbino II Wind Farm LLC project would not have a significant impact on the number or size of school facilities in BVISD.

Please feel free to contact me by phone at (512) 463-9268 or by email at helen.daniels@tea.state.tx.us if you need further information regarding this issue.

Sincerely,

Helen Daniels
Director of State Funding

HD/hd



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Robert Scott
Commissioner

November 18, 2010

Mr. Robert Wood
Director, Local Government Assistance and Economic Development
Texas Comptroller of Public Accounts
Lyndon B. Johnson State Office Building
111 East 17th Street
Austin, Texas 78774

Dear Mr. Wood:

The Texas Education Agency has analyzed the revenue gains that would be realized by the proposed Sherbino II Wind Farm LLC project for the Buena Vista Independent School District (BVISD). Projections prepared by our Forecasting and Fiscal Analysis Division confirm the analysis that was prepared by Moak, Casey and Associates and provided to us by your division. We believe their assumptions regarding the potential revenue gain are valid and their estimates of the impact of the Sherbino II Wind Farm LLC project on BVISD are correct.

Please feel free to contact me by phone at (512) 463-9268 or by email at helen.daniels@tea.state.tx.us if you need further information regarding this issue.

Sincerely,

A handwritten signature in cursive script that reads "Helen Daniels".

Helen Daniels
Director of State Funding

HD/hd